

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of)

Federal-State Joint Board on)
Universal Service)

CC Docket No. 96-45)
CC Docket No. 97-160)

[DA 98-715]

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**COMMENTS OF THE
COLORADO PUBLIC UTILITIES COMMISSION STAFF
REGARDING OPTIONS FOR CONSIDERATION**

The Colorado Public Utilities Commission Staff ("Colorado Commission Staff") hereby submits these comments addressing the Federal Communications Commission ("FCC" or "Commission") Common Carrier Bureau's April 15, 1998 Public Notice¹ (DA 98-715) requesting comment on proposals to revise the methodology for determining universal service support. In the Public Notice, the FCC seeks to augment the record by encouraging interested parties to submit additional proposals for modifying the Commission's methodology for determining the appropriate level of federal universal service support that non-rural carriers will receive beginning January 1, 1999. In the interest of brevity, we will not repeat our previous positions expressed in this universal service proceeding. We commend the Commission for taking the opportunity at this time to request further input from parties.

Our comments are directed at suggesting specific techniques or measures to be considered in developing an option called the "Variable Share of Federal Support". These comments address methodologies to be used to calculate support necessary for non-rural providers only. It is assumed in these comments that rural carriers will continue to utilize the

¹ Public Notice; Common Carrier Bureau Seeks Comment on Proposals to Revise the Methodology for Determining Universal Service Support, CC Docket Nos. 96-45 and 97-160 (DA 98-715) April 15, 1998.

existing methodology for some time into the future. The Colorado Commission Staff considers it important for the Commission to remain cognizant of the concerns of state regulators in the implementation of the 1996 Act.

The Colorado Commission Staff remains committed to a cooperative process among state and federal regulators in the implementation of the Federal Telecommunications Act of 1996 ("1996 Act"), and recognizes the importance of the universal service proceeding in resolving the challenges that confront us.

It must be noted that the following discussion of techniques to implement a "Variable Share of Federal Support" option is an attempt to raise issues for further discussion and improvement, but does not represent the position of the Colorado Public Utilities Commission.

Variable Share of Federal Support

This option contemplates the use of a single nationwide cost model for determining the amount of support for non-rural carriers on a relatively small geographic basis, and the use of a single benchmark for all states. In contrast to the plan adopted in the FCC's May 8, 1997 order in which the payment of federal support remains a constant 25% in all states, under this option the percentage of federal support provided will vary. The amount of federal support to a state would vary depending on: 1) the magnitude of the required USF support per line; and 2) the state's ability to internally support its residual intrastate universal service obligation. States that have a relatively small amount of required USF support per line would have a relatively low percentage of support provided through the federal program, while states that have a greater amount of required USF support per line would have a relatively high percentage of support provided through the federal program. States that have a relatively low ability to internally

support and fund universal service will have a relatively high percentage of support provided through the federal program, while states that have a greater ability to internally support universal service will receive a lower percentage of federal support.

In designing measures of an individual states' magnitude of required USF support for non-rural carriers, one could calculate the difference between the state's average total required non-rural carrier USF support per loop, and the national average amount of such support. A measure of a state's ability to internally support its residual USF requirement could be calculated as the difference between the individual state's average intrastate revenue per loop and the national average revenue per loop. A properly designed methodology would also incorporate some flexibility in allowing a state's intrastate share to rise as support requirements rise, thereby explicitly recognizing the notion that high cost customers should bear some reasonable but affordable share of increased costs. However, the adopted methodology should incorporate the notion of a cap on the maximum intrastate surcharge in a state.

If the Commission chooses not to fully fund the necessary support from the federal fund, in considering methods to equitably set the total amount that will be supported from the federal program and from the individual states, the Commission could consider matching the magnitude of the interstate revenue surcharge with the composite national average intrastate surcharge.

The Commission should also consider a "dead band" approach for determining USF support. Under such an approach, USF support to a state for non-rural carriers would not be provided until the average required support for non-rural carriers per loop in that state exceeded some multiple of the national average required support per loop.

Without resolving the cost model platform issues, choice of inputs, geographical support area and the factors varying the federal support amount, it is impossible to derive a total fund size

or a state-by-state distribution of support. However, we are certain that this option could be designed to provide sufficient support while reasonably controlling the size of the federal fund.

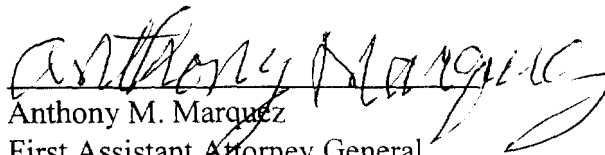
Conclusion

We remain committed to moving forward in the implementation of the 1996 Act, preserving the concept of universal service and bringing the benefits of competition in telecommunications to customers in every area of our state and nation. The Commission's universal service proceeding has been described as one of the three major policy proceedings required for the implementation of the 1996 Act. The issues contained within this portion of the universal service rulemaking have proven to be the most contentious and emotional, however, as they involve a balancing of interests between the federal and state jurisdictions and the interests of the individual states, with affordable service to rural customers at stake. We pledge to continue to assist in the search for that appropriate balance needed to transform section 254 of the 1996 Act into working programs for telecommunications customers.

Dated this 24th of April, 1998.

Respectfully submitted,

COLORADO PUBLIC UTILITIES COMMISSION STAFF

A handwritten signature in black ink, reading "Anthony M. Marquez". The signature is written in a cursive style with a large, sweeping "M" and a long, horizontal stroke at the end.

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